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## Remuneration policy

Eksportfinans' remuneration policy is reviewed by the board of directors on an annual basis and published in the annual report. It is based on relevant legislation, including

- The Norwegian public limited liability companies act (Allmennaksjeloven), §6-16 a – Declaration on the fixing of salaries and other remuneration for leading personnel.
- Regulations from the Norwegian Ministry of Finance regarding remuneration in the financial sector effective from January 1, 2017 (Finansforetaksforskriften), chapter 15.
- Circular memo number 15/2014 regarding remuneration in the financial sector issued by the Norwegian FSA (Finanstilsynet) on December 1, 2014.
- Guidelines on remuneration policies and practices dated December 10, 2010 issued by the Committee of European Banking Supervisors (CEBS).
- Guidelines for employment conditions for leaders in government owned entities and companies, issued by the Ministry of Trade, Industry and Fisheries on February 13, 2015.

In the course of 2020 Eksportfinans will adjust this policy to reflect relevant new regulations in EU's prudential framework for credit institutions and investment firms (CRR/CRD IV).

### Persons included in the policy

Eksportfinans has an established remuneration policy for all employees. The policy includes special rules applicable to executive management, employees with special responsibility for the company's risk exposure, other employees and elected officers with similar compensation, as well as employees involved in control activities. In Eksportfinans, the executive management team includes the CEO and other executives reporting to the CEO. The policy applies to all new agreements of employment in general.

### Decision-making process

The board of directors has established a remuneration subcommittee consisting of the chairperson of the board, one independent board member and the employee's representative on the board. The committee ensures that Eksportfinans at any given time practices guidelines and frameworks for a compensation scheme that will apply to the whole company in general and to certain specified categories of employees, including the executive management, in particular.

The board of directors is responsible for adopting the elements to be included in the executive management's compensation plans and guidelines for the determination of the actual annual compensation. The board also sets the annual compensation to the CEO.

The board of directors shall revise the practicing of this policy on an annual basis. The written declaration of the practicing of the policy shall be revised by an independent control instance (the internal auditor) and a written report thereof shall be presented to the board along with the declaration.

The remuneration policy for the CEO and the executive management team passed by the board shall be presented to the ordinary general meeting by the board of directors for an advisory vote pursuant to sections 5-6 (4) and 6-16a of the Norwegian Public Limited Liability Companies Act. Eksportfinans has adopted the practice of inviting the general meeting to an advisory vote for the company's remuneration policy for all employees, including management. The ordinary general meeting in 2020 takes place on March 5, 2020.

## **Remuneration to executive management**

### **General points**

In this policy, compensation plan means a remuneration package that may include the following elements: fixed pay, variable pay, benefits in kind, a pension plan and severance pay.

To ensure access to qualified executives, the management's compensation plans shall be competitive and on a par with the remuneration applicable for positions in the owner banks with which it would be natural to compare the company's management positions.

The management's compensation plans shall not unfavourably affect the company or damage its reputation. The board of directors shall assess each element of the compensation plan jointly as a whole. The board of directors shall receive an overview of the aggregate value of the agreed remuneration to the executive management on an annual basis. Agreements on remuneration entered into before these guidelines came into force shall be upheld.

### **Components**

#### **Fixed salary**

The main element of the company's compensation plan shall be the fixed salary.

#### **Options and share programs**

As long as the ownership provisions in the company's current articles of association are not amended, share options or share programs shall not be used in any form as an element of the executives' compensation plans.

#### **Variable pay in the form of retention bonuses**

In November 2011 the Norwegian government terminated the agreement with Eksportfinans for the issuing and management of new export credits on its behalf. Following this, variable pay in the form of cash retention bonuses for pre-defined periods is used as a tool to retain a competent staff in order to manage Eksportfinans' complex portfolio of loans, funding, derivatives and liquidity placements. The following principles shall apply:

- The pre-defined earning period is normally one year, and it shall not be subject to an ex ante risk assessment.
- The decision to offer new retention bonuses to employees is made on an annual basis based on a thorough assessment of the need for such compensation to selected employees in light of the company's situation.
- The annual granted retention bonus shall normally not exceed six months fixed pay. If offered in combination with any performance-based variable pay (see below) the total variable pay shall normally not exceed six months fixed pay.

#### **Performance-based variable pay**

Since 2012, performance-based variable pay has only been used to a very limited degree as one of the elements of the executives' compensation plans. It is currently not in use. If granted in the future, the following principles shall apply:

- There must be a clear connection between the targets on which the performance-based variable pay is based and the company's objectives.

- Performance-based variable pay must be based on objective, definable and measurable criteria. The criteria shall be based on circumstances the executive may influence.
- Several target criteria shall be used, and all shall be relevant.
- The performance-based variable pay element must be transparent and easy to understand. When giving an account of the plan, an essential objective must be to clarify the anticipated and maximum payment to each executive.
- The plan shall be limited in time.
- Total performance-based variable pay in one year shall normally not exceed six months' fixed pay. If offered in combination with a retention bonus the total variable pay shall normally not exceed six months fixed pay.
- Performance-based variable pay may be earned on an annual basis, but it shall be based on assessments of financial and non-financial performance both for the individual and for the company for a period of minimum two years (ex ante risk assessment), including an evaluation of the company's risk situation and costs associated with the need for capital and liquidity.

### **Disbursement**

Disbursement of performance-based variable pay or retention bonuses to executive personnel shall follow a deferral schedule where 50 percent shall be disbursed following the first annual general meeting held after the earning period. The remaining 50 percent shall be disbursed in equal portions at the same point in time in the three subsequent years.

All disbursements to executive personnel shall be subject to an annual ex post risk assessment. Non-disbursed portions of variable pay from previous years may be reduced in the case of discovery of new information that was unknown at the time of determining the variable pay, and that may have led to a lower offer of variable pay being determined if it was known. The board determines the reduction at their discretion. Employees shall not have agreements or insurance policies covering the case of withheld variable pay. The company shall not have any agreements regarding guaranteed variable pay.

An employee leaving the company shall receive any out-standing variable pay due to it, in due course. In the case of an employee dying, the outstanding variable pay shall be disbursed to the next of kin.

### **Pension plan**

Eksportfinans' pension plan for all employees hired after January 1, 2012 is a defined contribution scheme, which is in line with the pension plans of its largest owner banks. However, the majority of the employees were hired prior to 2012, and they still have a defined benefit scheme.

Pension benefits for executive management shall be based on the pension benefits of other employees. At the same time the benefits shall be on a par with the benefits of positions in the owner banks with which it would be natural to compare the company's executive positions.

The board of directors shall receive an overview of the total costs of the pension plan before any agreement is signed. Any commitments the company undertakes through the management's pension scheme shall, to the extent practicable and reasonable within the framework of current laws and regulations be covered by entering into a pension insurance agreement with a life insurance company.

In line with the guidelines for employment conditions for leaders in government owned entities and companies issued on February 13, 2015, accumulation of pension benefits for salaries exceeding 12 G (public pension base rate) shall not be included in new employment contracts.

The retirement age for the current CEO and other members of the executive management is set at 65 years. In the case of future employment of executive managers, the retirement age will be set at 70 years in accordance with the revised Working Environment Act.

### **Severance pay**

Where the CEO has previously agreed to waive the provisions relating to employment protection rights in the Working Environment Act, an agreement on severance pay may be made. Severance pay shall not normally be used in case of voluntary resignation. The severance pay scheme shall be adjusted to the results obtained over time and ensure that failure to obtain agreed results is not a basis for severance pay.

The severance pay shall not exceed twelve months' fixed pay. Severance pay may also contain other financial benefits and benefits in kind. In case of appointment to a new position elsewhere, severance pay shall be reduced by a proportionate amount, calculated based on the new annual income.

In connection with workforce reduction processes, severance pay to executive personnel may be agreed in case of voluntary resignation, and the above-mentioned upper limit of twelve months' fixed pay may be exceeded. This applies if the calculation of the executive's severance pay is made pursuant to the rules applying to the severance pay of other employees. A reduction in severance pay as mentioned in this paragraph shall only be made if required under the internal general rules regarding severance pay in connection with a workforce reduction process. Severance pay may be withheld if the terms for summary dismissal are present.

### **Benefits in kind**

The nature and value of benefits in kind shall be on a par with what is customary in the owner banks with which it would be natural to compare the company's executive positions.

### **Remuneration to employees with risk exposure responsibilities**

The regulations regarding variable pay to executive management mentioned above shall also apply to employees with special responsibility for the company's risk exposure and to other employees or elected officers with similar compensation.

### **Remuneration to employees involved in control activities**

Remuneration to employees involved in control activities shall be independent of the results in the business area they control. The regulations regarding variable pay to executive management mentioned above shall also apply to employees involved in control activities.

### **Remuneration to elected officers**

The regulations regarding variable pay to executive management mentioned above, shall also apply to elected officers.

### **Declaration for 2019**

The board of directors confirms that the remuneration policy approved by the board of directors in March 2019, as well as other guidelines regarding remuneration, have been followed in 2019.

Performance based variable pay has not been used in 2019. Based on a thorough evaluation of the operational risk due to the special situation in the company after 2011, the board made the decision to issue new offers of stay-on fees for the pre-defined period of 2020 to a majority of the employees.

Following an assessment, it has been established that in Eksportfinans, the personnel currently subject to the special regulations regarding earning and disbursement of variable pay is limited to the executive management team.

When the current CEO was promoted from CFO to CEO in 2018 the board of directors decided that he should maintain the conditions in his previous contract from 2008 regarding retirement age and pension plan. These differ from the current remuneration policy. His retirement age is set at 65 years, and his pension scheme includes pension of salaries exceeding 12G.

No new agreements on remuneration to executive personnel were entered into in 2019.